

FEDERAL BUREAU OF INVESTIGATION  
FOI/PA  
DELETED PAGE INFORMATION SHEET  
FOI/PA# 1421507-0

Total Deleted Page(s) = 1  
Page 7 ~ b6; b7C;

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX  
X Deleted Page(s) X  
X No Duplication Fee X  
X For this Page X  
XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

194A-SE-70641  
GCS:gs  
(2)

On 4/20/94 a confidential source provided the following information to SA [REDACTED]

b6  
b7C

Source has been very involved in the effort to locate a site for a new racetrack in Western Washington after the closing of the LONGACRES RACETRACK owned for many years by the [REDACTED] family. His most recent involvement has been as an investor in a group seeking to locate the track on a site near Fife, Washington.

The WASHINGTON STATE HORSE RACING COMMISSION (COMMISSION) which has the authority to award racing dates for the only track in Western Washington has decided to award these dates to a group of investors seeking to build a track in Auburn, Washington. This group is lead by [REDACTED] who owns the TRAMCO CORPORATION in Everett, Washington.

In source's opinion, and the opinion of others, a track will never be built on the Auburn site because of the site's environmental problems due to the presence of wetlands areas. The continuing refusal of the COMMISSION to consider alternatives to Auburn could mean the death of a large industry.

Source stated that the EMERALD RACING ASSOCIATION (EMERALD) was formed after the announcement that LONGACRES was closing. It was formed as a non-profit organization with 35 members who considered themselves to be caretakers of the horseracing industry. The goal of the organization was to find a site for a new track and to search for a franchiser who would be willing to operate a new track.

Source explained that to be profitable a track must operate in the upper echelons of the industry, able to attract the known jockeys and horses. The better horses and jockeys are attracted by the size of the purses. The key ingredient to a successful track is the size of the gate or attendance. This has been affected in recent years by the existence of state-run lotteries and other games of chance.

LONGACRES had annual gross receipts of approximately \$160 million on which the State calculated a 7% cut. Until its closing, racing at LONGACRES basically subsidized racing in the rest of the state.

The [REDACTED] family were the leaders of the industry in Washington State and their departure has left a significant vacuum. They wanted to get out quickly and cleanly which is why

*For identity of source see*

[REDACTED]

b7D

*orig in conf. file.*

194A-SE-70641-3

principal competition was from a group seeking to build a track in Lacey and from a group lead by [ ] with a site in Auburn.

b6  
b7C

The COMMISSION voted to assign tentative racing dates to NRT subject to their successfully obtaining financing for the new track. Quite unexpectedly [ ] began to distance himself from the project for reasons that are not known to anyone. Eventually [ ] sent a letter announcing his withdrawal from NRT which cost him between \$300,000 and \$400,000. [ ] also suddenly dropped out, leaving the Fife group with only \$8.5 million in equity.

At this point [ ] believing that the proposal for a track in Fife was not going to work, proposed that they submit an application for financing and use the almost certain refusal as an excuse for disbanding NRT. The group was dissolved in the Fall of 1991 and the options to buy the land in Fife lapsed.

In mid 1991 [ ] had become so disruptive that he was asked to resign from the board of EMERALD. [ ] was appointed Chairman of the Board. [ ] met soon after with [ ] at his TRAMCO office in an effort to keep him involved in the effort to build a new track. [ ] was obsessed with getting [ ]

Sometime in the Spring of 1992 [ ] a member of the EMERALD organizing group, met with [ ] in the EMBASSY SUITES HOTEL near LONGACRES. The purpose was to persuade [ ] to stay involved in the process and to reconsider his opposition to the Fife site. [ ] said he believed a new track had to be as close to LONGACRES as possible. If that were not possible his next choice would be near Marysville. The group proposed to hire a land use engineer and an attorney to tell them where to locate the track. [ ] agreed to this proposal.

After [ ] didn't hear from [ ] for approximately two months he called him and suggested they go down to Fife and meet with some of the city officials in Fife. This meeting took place in July, 1992.

Again [ ] did not hear from [ ] but he did learn from [ ] that [ ] had decided Fife was not acceptable as a site for the new track. [ ] further divulged that he made a deal with developer MARIO SEGALE to build a track in Auburn on land owned by SEGALE.

Source and others formed a new group to try again to get Fife approved as a site for the track, but they did not have sufficient political clout or influence and the competition for

the track had become a PIERCE COUNTY versus KING COUNTY fight. In addition MIKE LOWRY was elected Governor and a new COMMISSION was appointed. BARBARA SHINPOCH, former Mayor of Renton, Washington, was appointed COMMISSION chairperson. She had very close ties to LOWRY and [ ] had been the Majority Leader of the STATE HOUSE OF REPRESENTATIVES.

b6  
b7C

Both the Auburn and Fife groups submitted applications for racing dates to the Commission and [ ] Auburn group was awarded the racing dates. During this process [ ] was contacted by State Representative GARY LOCKE who had formed a task force to see what the State could do to get the track built. [ ] sent a letter to LOCKE outlining what the Fife would need from the State to get the track constructed at that site.

On the very next day, there was hearing before a State Senate Committee chaired by Senator RAY MOORE. [ ] from the Fife group attended the hearing. When [ ] testified at the hearing regarding his proposal for Auburn, he waved [ ] letter to LOCKE before the committee and stated that the letter provided proof that the Fife group did not have adequate funding to build a new track.

Source stated that [ ] complained to LOCKE about releasing the letter, but he (LOCKE) claimed that he hadn't given the letter to [ ] so it must have been leaked by someone in the Fife group. Source stated, however, that according to [ ] no one in this group received a copy of the letter so the disclosure could only have been made by LOCKE or someone in his office. Source subsequently learned that during this period LOCKE had stayed in a condominium on Maui owned by [ ] [ ] the Auburn group.

The Fife group unsuccessfully appealed the decision of the RACING COMMISSION and then filed a lawsuit in an effort to show that the commission evaluation was wrong and the Fife site should be listed as a backup to the Auburn site. The three commission members were deposed before the group decided to drop the lawsuit and disband. The group's attorney opined that the lawsuit had merit and would be successful, but the investors did not want to continue the battle.

The land included in the Auburn site owned by MARIO SEGALE is worthless and will never be the site of a racetrack because of major environmental drawbacks. SEGALE, source noted, was a major contributor to LOWRY's campaign. Source believes that [ ] group doesn't intend to ever build a racetrack.

EMERALD now has in operation a simulcast facility in Tukwila located in a warehouse owned by SEGALE. Source understands that EMERALD money intended to assist in the construction of a new track is being siphoned off by [ ] and

his supporters. EMERALD has a reserve fund of between \$ 5 million and \$7 million intended to go to a new racetrack's franchiseholder. There is also a State Industry Fund generated by the reduction in the State's tax on the handle which had been approved by the Legislature. EMERALD's eleven member Board of Directors is controlled by [redacted]

b6  
b7C

The RACING COMMISSION permits the franchise holder of racing dates to control all simulcasting in Western Washington. Only one simulcast facility is allowed in each county. When LONGACRES was in operation a simulcast facility would not have been allowed within fifty miles of the track. EMERALD used \$2 million of it's profits to upgrade the warehouse facility leased from SEGALE, who is also an investor in [redacted] Auburn group. SIERRA CONSTRUCTION which is actually controlled in fact by [redacted] did the renovation work at the simulcast facility. The lease for the SEGALE building is extremely expensive and requires the payment of \$700,000 at the expiration of the lease in order to restore the premises to their original state.

Source knows that [redacted] has met with Governor LOWRY on three occasions regarding the racetrack issue. The last time was approximately two months ago. LOWRY claimed he didn't know [redacted] and was lobbying the U.S. ARMY CORPS OF ENGINEERS (CORPS) on a daily basis in order to get them to change their decision requiring an environmental impact statement for the Auburn site.

Source stated that the CORPS recently ruled that there was no viable alternative to the Auburn site despite the fact that the CORPS had previously approved the site in Fife. Sometime in 1993 [redacted] received a letter from the CORPS in which it accepted the site as delineated and stated that fill permits were not necessary for this site. Source stated that [redacted] showed this letter to LOWRY in his last meeting with the Governor and LOWRY expressed great surprise. Following this meeting [redacted] received a letter from the CORPS rescinding their prior approval and now asserting that there were wetlands problems on this site. Studies had previously been performed on 144 acres of the Fife site for their use as the site for a warehouse project and this had been accepted by the CORPS. The CORPS now claims that there are protected wetlands on 100 of the 144 acres. The Fife site includes an additional 40 acres of cropland.

Source provided the following background information regarding the principals in this matter:

[redacted]

✓ 194A-SE-70641

GCS:gs

(2)

On 5/18/94 a confidential source provided the following information to SA [REDACTED]

b6  
b7C

Source turned over to SA [REDACTED] one cardboard box containing documents on the unsuccessful efforts of an investment group to be selected as the developer of a new racetrack in Fife, Washington. Source stated, however, that most of the documents he had collected on this matter had been turned over to attorneys for the partnership.

With regards to SIERRA CONSTRUCTION, INC. (SIERRA), [REDACTED] told a group of EMERALD RACING ASSOCIATION (EMERALD) directors that he had fronted the financing for SIERRA and had paid for the college education of [REDACTED]

[REDACTED] also stated that he had brought in SIERRA to complete construction of the new EAGLE HARDWARE stores when [REDACTED] ran into problems with the original contractor who couldn't finish the stores on time. [REDACTED] claims that he "saved [REDACTED] ass." [REDACTED] also has a big financial interest in EAGLE as does [REDACTED]

Source noted that SIERRA was selected by EMERALD to build the satellite betting facility in a building owned by MARIO SEGAL in Tukwila. SIERRA is also listed as the contractor for the proposed new racetrack on the Auburn site.

[REDACTED] noted that the recent decision by the U.S. ARMY CORPS OF ENGINEERS concluding that the Fife site had more environmental problems than [REDACTED] Auburn site, also included a negative statement about the financial capability of the Fife group to complete their proposed track. This judgment was made without requesting any data from the Fife group and must have been based solely upon documents supplied by [REDACTED] group.

Source had no specific information to furnish concerning the payments of bribes to any state official in an effort to influence the process of selecting a site for a new racetrack in Western Washington. Source stated, however, that the Chairperson of the WASHINGTON HORSE RACING COMMISSION, BARBARA SHENPOCH, [REDACTED] were heavy gamblers. [REDACTED]

194A-SE-70641-6

SEARCHED  
SERIALIZED  
JUN 15 1994  
M

194A-SE-70641

Source has also heard that mall developer MARIO SEGALE was a major contributor to the campaign of Governor MIKE LOWRY. SEGALE's contributions included providing free office for the LOWRY campaign and the payment of salaries for some campaign workers. These contributions were not reported to the PUBLIC DISCLOSURE COMMISSION.